

Message Text

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ORIGIN AF-18

INFO OCT-01 EUR-25 ADP-00 CIAE-00 DODE-00 PM-09 H-02

INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15

USIA-12 AID-20 COME-00 EB-11 FRB-02 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 IGA-02 /174 R

DRAFTED BY AF/ W: JKBISHOP: MB

4/27/73 EXT 28436

APPROVED BY AF - ROBERT S. SMITH

AF/ W - MR. AGGREY

EB/ IFD/ ODF - MR. WEINTRAUB

EB/ IFD/ OIA - MR. ELLIS

AFR/ CWA - MR. BROWN

TREASURY - MR. GORDON

EUR/ NE - MR. FLOYD (SUBS)

----- 054462

P R 280002 Z APR 73

FM SECSTATE WASHDC

TO AMEMBASSY LONDON PRIORITY

INFO AMEMBASSY ACCRA

C O N F I D E N T I A L STATE 080430

E. O. 11652: ADS

TAGS: PFOR, EAID, EFIN, GH, IBRD

SUBJECT: GHANA DEBT: MAY CREDITORS MEETING

1. EMBASSY REQUESTED FORWARD FOLLOWING MESSAGE FROM
DEPUTY ASSISTANT SECRETARY SMITH TO FCO DEPUTY UNDER SECRE-
TARY C. M. LE QUESNE AS SOON AS POSSIBLE.

2. QUOTE DEAR MARTIN: WHILE I UNDERSTAND PERFECTLY THE
SCHEDULING PROBLEMS WHICH MADE IT IMPRACTICAL FOR YOU AND
HESTER BOOTHROYD TO VISIT WASHINGTON, I REGRET THE OPPORT-
UNITY LOST FOR A PERSONAL EXCHANGE OF VIEWS PRIOR TO THE
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MAY MEETINGS.

3. WE HAVE BEEN ENCOURAGED BY ROGER CHAUFournIER' S REPORT THAT COLONEL ACHEAMPONG WISHES TO MOVE QUICKLY TOWARD A DEBT SETTLEMENT AND THAT ACHEAMPONG SAID HE WOULD NOT PERMIT PERIPHERAL ISSUES TO BLOCK PROGRESS TOWARD A SETTLEMENT ONCE AGREEMENT SEEMS NEAR ON THE TERMS OF MOST INTEREST TO THE GHANAIS, I. E. THE GRACE AND REPAYMENT PERIODS. I TRUST THAT GHANAIAN WILLINGNESS TO SUBMIT ALL DISPUTED CONTRACTS TO ARBITRATION, TO FIX A CUTOFF DATE BEYOND WHICH THE VALIDITY OF ADDITIONAL CONTRACTS WILL NOT BE CHALLENGED, AND THE GHANAIS' INTENT TO USE THE LONGER GRACE PERIOD FOR REPAYMENT OF SHORT TERM DEBTS, INCLUDING REMITTANCES, HAS BEEN EQUALLY WELCOME NEWS IN LONDON.

4. MY COLLEAGUES IN TREASURY AND AID AGREE THAT WE SHOULD TAKE ADVANTAGE OF THE MORE COOPERATIVE SPIRIT NOW EVIDENT IN ACCRA TO PRESS FORWARD QUICKLY TOWARD A DEBT SETTLEMENT. ROGER HAS SUGGESTED THE CREDITORS TELL THE GHANAIS THEY WILL GRANT A SEVEN YEAR GRACE PERIOD AND A SUBSEQUENT 18 YEAR REPAYMENT PERIOD, PROVIDED THE GHANA GOVERNMENT AGREES TO ENTER NEGOTIATIONS ON OTHER RESCHEDULING TERMS: IT BEING UNDERSTOOD THAT NO FURTHER CONCESSIONS WILL BE GRANTED ON GRACE OR REPAYMENT PERIODS. ON THE UNDERSTANDING THE OTHER RESCHEDULING TERMS TO BE DISCUSSED WOULD INCLUDE THE MODALITIES OF ARBITRATION, WE BELIEVE THIS IS A CONSTRUCTIVE SUGGESTION, AND WE ARE PREPARED TO SUPPORT ITS ADOPTION AT THE MAY MEETINGS IF YOU AGREE. WE HOPE IT WILL LEAD TO A DEFINITIVE SOLUTION TO THIS PROBLEM, WHICH HAS VEXED US AND THE GHANAIS SINCE 1966. ROGER' S FORMULA IS CONSISTENT WITH THE FALLBACK TERMS JOHN WILSON AND KEN CRITCHLEY TOLD US LAST JULY/ JUNE WERE ENVISAGED BY YOUR GOVERNMENT, AND THEY ARE CONSISTENT WITH THE DEBT REPAYMENT BURDEN FORECAST IN THE PAPER CIRCULATED BY THE BRITISH DELEGATION TO THE JULY CREDITORS' MEETING.

5. TO FURTHER STRENGTHEN THE POLITICAL POSITION OF THE MODERATES IN ACCRA, WHO APPEAR TO HAVE COLONEL ACHEAMPONG' S
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EAR AT THE MOMENT, WE PROPOSE TO INFORM THE GHANAIS, ONCE THEY HAVE AGREED TO MEET WITH THE CREDITORS, THAT A PROGRAM LOAN OF DOLS. 15-20 MILLION HAS BEEN AUTHORIZED. A LOAN AGREEMENT WOULD NOT BE SIGNED WITH THE GHANAIS, HOWEVER, UNTIL AN AGREED MINUTE HAS BEEN INITIALED. WE UNDERSTAND THE CANADIANS HAVE DECIDED TO PROVIDE ADDITIONAL ASSISTANCE AND THAT THE WORLD BANK WILL BE READY TO NEGOTIATE NEW LOAN AGREEMENTS BY JUNE. WE HOPE YOUR GOVERNMENT AND THAT OF WEST GERMANY MIGHT BE PREPARED TO MOVE FOREWARD

WITH ASSISTANCE SIMILARLY CONDITIONED ON A RESCHEDULING AGREEMENT, ASSUMING THE STATE OF PARTICIPATION DISCUSSIONS DOES NOT RAISE MAJOR OBSTACLES FOR YOU.

6. I AM CONCERNED THAT THE PROSPECTIVE TIMETABLE FOR NEGOTIATION WITH THE GHANAIS WILL RUN US UNCOMFORTABLY CLOSE TO THE END OF OUR FISCAL YEAR. TO ACCELERATE EXCHANGES SUBSEQUENT TO THE MAY MEETING, YOU MAY WISH TO ASK THAT OTHER CREDITOR GOVERNMENTS BE PREPARED TO EXAMINE PROMPTLY, AND HOPEFULLY RATIFY QUICKLY, THE DOCUMENT WE HOPE TO PRODUCE IN LONDON. PERHAPS AN IBRD REPRESENTATIVE COULD BE ASKED TO GO TO ACCRA FROM LONDON, THERE TO AWAIT INSTRUCTIONS TO DELIVER THE RATIFIED CREDITORS MESSAGE TO THE GHANA GOVERNMENT. I AM AFRAID THAT IF PROVISION IS NOT MADE FOR REASONABLY RAPID ACTION WE WILL BE UNABLE TO PROVIDE FISCAL YEAR 1973 FUNDS FOR GHANA. AS WE ANTI-

CIPATE A CONSIDERABLY SMALLER LEVEL OF FUNDS FOR AFRICAN LENDING DURING FY 1974, OUR ABILITY TO ASSIST GHANA DURING THE INITIAL PERIOD OF A RESCHEDUDLING WILL BE SEVERELY COMPROMISED SHOULD WE BE UNABLE TO CALL ON CURRENT FISCAL YEAR FUNDS. THIS WOULD ADVERSELY AFFECT OUR POLITICAL AND ECONOMIC RELATIONS WITH GHANA.

7. MY COLLEAGUES AND I ARE ANXIOUS TO HAVE YOUR REACTION TO OUR PROPOSALS. WE WOULD BE EQUALLY GRATEFUL FOR ANY OTHER THOUGHTS YOU MAY WISH TO SHARE WITH US IN ADVANCE OF THE LONDON MEETINGS. SINCERELY, ROBERT S. SMITH
UNQUOTE. ROGERS

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